

Message Text

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C O R R E C T E D C O P Y (PARAS 5, 6, 7 RENUMBERED AS 3, 4, 5)

FROM ROCAP

E.O. 11652 N/A

TAGS: ECON, PORG, GT, CR, HO, ES, NU

SUBJECT: PROPOSAL TO PURCHASE UB OPERATIONS

REF: MANAGUA 1986

1. ROCAP APPRECIATES OPPORTUNITY TO COMMENT ON HOLMANN SCHEME FOR CA JOINT PURCHASE OF U.B. MARKETING OPERATION AND LOCAL PROPERTIES. WE ASSUME THERE WOULD BE SIZABLE POLITICAL AND TECHNICAL PROBLEMS (BOTH DOMESTICALLY IN EACH PARTICIPATING COUNTRY AND REGIONALLY BETWEEN COUNTRIES) INHERENT IN ANY SUCH GRAND-SCALE MULTI-FACETED ENTERPRISE. HOWEVER, IF THERE WERE SUFFICIENT POLITICAL HARMONY AND DETERMINATION, THE TECHNICAL DIFFICULTIES WOULD NOT NECESSARILY BE INSURMOUNTABLE.

2. ASSUMING BOTH POLITICAL AND TECHNICAL PROBLEMS COULD BE OVERCOME, WE SEE THE FOLLOWING ADVANTAGES AND DISADVANTAGES:

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A) FOR CA INTEGRATION PROCESS - IF THE ENTERPRISE PROVED SUCCESSFUL IT WOULD BE A MOST SIGNIFICANT AND MEANINGFUL ADVANCE FOR THE INTEGRATION PROCESS. THE LINKAGES BROUGHT INTO EXISTENCE AT THE LEVEL OF DIRECTION, PLANNING, MANAGEMENT AND COORDINATED MARKETING WOULD BE FAR BEYOND ANYTHING NOW IN EXISTENCE. AT PRESENT THERE ARE NO LARGE SCALE CA COMMERCIAL OR INDUSTRIAL ENTERPRISES WITH REGIONAL OPERATIONS AND OWNERSHIP. FURTHERMORE, THERE IS NO CENTRAL AMERICAN PRIVATE BANK WITH ANY BRANCH IN A COUNTRY OUTSIDE THE DOMICILE OF ITS OWNERSHIP. IF THE HOLMANN SCHEME WERE SUCCESSFUL IT WOULD SHOW WHAT COULD BE DONE IN THIS KIND OF ENTERPRISE AND, BY WAY OF EXAMPLE, ENCOURAGE PARALLEL REGIONAL INITIATIVES IN OTHER LINES OF ENDEAVOR. (NOTE: PRESS AND OTHER SOURCES INDICATE ACTIVE CONSIDERATION IS CURRENTLY BEING GIVEN TO THE REGIONAL JOINT PURCHASE OF THE MEXICAN-OWNED FERTILIZER FIRM FERTICA). CONVERSELY, FAILURE OF THE UB PURCHASE SCHEME, ONCE LAUNCHED, WOULD BE A SERIOUS SET-BACK TO SUCH UNDERTAKINGS.

B) REGIONAL BENEFITS. THE HOLMANN SCHEME WOULD TEND TO UPGRADE THE KNOWLEDGE AND EXPERIENCE, AND THEREFORE THE QUALITY OF THE HUMAN ELEMENT IN CA. ALSO, IT WOULD PROVIDE CA WITH A "TURNKEY" TYPE OF IN-PLACE MARKETING MECHANISM FOR SOME OF ITS AGRICULTURAL PRODUCTS, AND THIS MIGHT BE TRANSFORMED INTO A MARKETING MECHANISM FOR ADDITIONAL AGRO/EXPORT ITEMS, SUCH AS THE NON-TRADITIONAL AGRICULTURAL EXPORT PRODUCTS WHICH EXISTING USAID PROGRAMS ARE DESIGNED TO EXPAND.

C) US NATIONAL INTEREST - IT IS AN UNFORTUNATE BUT SELF-EVIDENT FACT THAT UB OPERATIONS HAVE NOT CONTRIBUTED TO A FAVORABLE US IMAGE IN CA. IF THE OPERATION WERE ACQUIRED BY CENTRAL AMERICANS, ON TERMS ACCEPTABLE TO THE US PRIVATE INTERESTS INVOLVED, THIS THORNY STIGMA WOULD BE ELIMINATED. HOWEVER,

D) US BUSINESS INTERESTS - WOULD BE ADVERSELY AFFECTED. INITIALLY AT LEAST, UNLESS THE TERMS OF THE PURCHASE WERE SO FAVORABLE AS TO BE MORE SATISFYING THAN THE OVERALL PROSPECTS OF RETAINING THE STATUS-QUO. THEN THERE IS THE QUESTION, IF THE UB OPERATION WERE REGIONALLY-OWNED AND MANAGED, OF THE IMPACT ON SIMILAR US-OWNED ENTERPRISES IN THE AREA. WE WOULD LIMITED OFFICIAL USE

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EXPECT FAVORITISM WOULD ACCRUE TO THE LOCALLY OWNED ENTERPRISE. THIS WOULD PROBABLY MANIFEST ITSELF IN WAYS ROUGHLY COMPARABLE TO THE PRESENT SITUATION AS REGARDS CA-OWNED AND COMPETING US-OWNED TRANSPORTATION COMPANIES, BOTH AIR AND SEA.

3. A POSSIBILITY EVIDENTLY NOT INCLUDED IN THE HOLMANN SCHEME IS THAT OF PARTIAL PURCHASE BY CA INTERESTS, OR TOTAL PURCHASE BY A JOINT CA-US CONSORTIUM. EITHER WAY, PARTIAL

US PARTICIPATION COULD PRESUMABLY BE OF INTEREST TO THE CENTRAL AMERICANS (AT LEAST INITIALLY) BECAUSE OF THE MARKETING EXPERTISE ALREADY IN PLACE AMONG US BUSINESS ENTREPRENEURS BUT VIRTUALLY UNKNOWN TO CENTRAL AMERICANS. ON THE OTHER HAND, PARTIAL CA INTEREST IN SUCH A VENTURE WOULD HAVE OBVIOUS ADVANTAGES TO THE US PARTNER.

4. FEW NEW LARGE SCALE INITIATIVES ARISE IN CENTRAL AMERICA. THIS ONE IS FASCINATING, AS NOTED BY EMBASSY MANAGUA. PERHAPS THE CENTRAL AMERICANS AT THIS STAGE ARE LACKING IN SUFFICIENT MANAGERIAL SKILLS TO ATTEMPT ANYTHING ON THIS SCALE. BUT IF IT CAN BE HAD ON FAVORABLE TERMS, HOLMANN'S SCHEME MAY BE HOBSON'S CHOICE FOR THE CENTRAL AMERICANS. EITHER THEY TAKE WHAT IS AVAILABLE AND GO ALL OUT TO SHOW THEIR POTENTIAL TO RUN A LARGE SCALE UNDERTAKING LIKE THIS, OR THEY MAINTAIN THEIR HISTORIC POSITION AT THE BOTTOM OF THE SCALE IN LATIN AMERICA.

5. CONCLUSION: IF SUCCESSFUL, THE PROJECT WOULD NOTABLY ADVANCE THE INTEGRATION PROCESS IN CA, A PROCESS WHICH IT HAS LONG BEEN THE POLICY OF THE US TO SUPPORT. THIS ADVANCE WOULD BE ACCOMPLISHED WITHOUT THE PERSONNEL, FINANCIAL AND CUMBERSOME MANAGERIAL IMPLICATIONS OF US FUNDED FOREIGN AID PROJECTS DESIGNED TO SUPPORT THE SAME OBJECTIVE. WE DOUBT THE SCHEME WILL GET OFF THE GROUND. BUT, IF IT DOES, IT WILL BE A SIGN THAT THE CA'S HAVE MORE IMAGINATION AND VIGOUR THAN THEY HAVE BEEN CREDITED WITH SINCE THE EARLY DAYS OF THE CACM. TRAGEN. ALSO PASSED INFO TO USAID/GUATEMALA.
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